

NSC Review Completed as Redacted.

Cabinet Meeting

18 March 1982

10:45-11:45

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THE WHITE HOUSE

WASHINGTON

CABINET MEETING AGENDA

Thursday, March 18, 1982 -- 10:45 AM

1. Constitutional Balanced Budget Tax Limitation
Amendment/CM219
2. Tuition Tax Credits/CM136

QUESTIONS AND ANSWERS REGARDING THE "EDUCATIONAL OPPORTUNITY AND EQUITY ACT OF 1982"

1. WOULD THE TAX CREDIT BENEFIT INDIVIDUALS OR INSTITUTIONS?

A. A tuition tax credit is meant to provide a direct benefit to individuals -- primarily parents of children enrolled in private schools as a matter of tax equity. These parents have already paid one school bill -- in the form of local taxes. Because they are paying a second bill for private school, they are in need of some relief.

2. WON'T THIS BILL GET THE FEDERAL GOVERNMENT INVOLVED IN DICTATING POLICY IN PRIVATE SCHOOLS?

A. Because the bill would not make available any Federal financial assistance to the schools themselves, but would only provide tax credits to parents, it would create no Federal jurisdictional nexus which would enable the Federal government to dictate policy to the schools.

3. WILL THIS BILL PROMOTE "WHITE FLIGHT" AND EMPTY OUT THE PUBLIC SCHOOLS?

A. To the contrary.

The Congress of Racial Equality stated on behalf of tuition tax credits before the Senate Finance Committee: "the presence of even a fairly small number of alternatives, even just the potential of parents being able to reject a school that is not doing its job, can work great changes in the public schools."

4. ISN'T THIS A TAX CREDIT FOR THE RICH?

A. First of all a majority (54%) of all parents who have children in private elementary and secondary schools have incomes of less than \$25,000. These parents currently pay average tuition costs of \$900. The bill tends to provide the greatest relief for this "marginal" taxpayer.

5. HOW CAN THE ADMINISTRATION JUSTIFY A COSTLY TAX CREDIT PROPOSAL WHEN IT IS PROPOSING MAJOR REDUCTIONS IN THE EDUCATION BUDGET, ESPECIALLY FOR PUBLIC SCHOOLS?

A. Reductions in the education budget are a part of the Administration's economic recovery program that is aimed at limiting Federal spending.

Some portion of the education reductions will be offset by consolidation, deregulation and other Administration proposals currently before the Congress that would limit the burdens imposed by the Federal government on public schools.

Tax credits are consistent with the Administration's priority to reduce taxes and promote tax equity.

The diversity that tax credits promote will strengthen both public and private schools alike.

6. WON'T TAX CREDITS ENCOURAGE THE ESTABLISHMENT AND SUPPORT OF SCHOOLS THAT SYSTEMATICALLY DISCRIMINATE AGAINST MINORITY STUDENTS?

A. No.

Under this proposal, schools must not deny admission to any person on account of race, color, national or ethnic origin. The Administration strongly supports these provisions and considers them an essential element of the proposed tuition tax credit bill.

7. WON'T TUITION TAX CREDITS SIMPLY RESULT IN INCREASED PRIVATE SCHOOL TUITION?

A. The tuition tax credit is unlikely to result in increased private school tuitions, because:

It will only cover 50 percent of tuition. Thus, if a school raised tuition, the credit would cover, at most, half of the increase and parents would have to pay the other half.

This should be a major disincentive for schools to try to "capture" the credit by raising tuition.

8. WHAT ABOUT COVERAGE FOR THE HANDICAPPED?

Tuition tax credits would provide some monetary relief to those parents who choose to place their child in a school other than the school or facility recommended by the school district.

Assisting parental choice is particularly critical in the case of handicapped children because of the potential controversy surrounding the question of an appropriate placement for each child.

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March 18, 1982 -- 10:45 a.m.

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|------------------------------|-----------------|
| 1. National Agriculture Day | The President |
| 2. Balanced Budget Amendment | Donald Regan |
| 3. Tuition Tax Credits | Robert Carleson |

CABINET MEETING PARTICIPANTS

Thursday, March 18, 1982 -- 10:45 a.m.

The Cabinet -- All Members *

- * Walter J. Stoessel, Jr., Deputy Secretary
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- * Donald L. Hovde, Under Secretary of the
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Development, for Secretary Pierce
- * Fred Bush, Deputy Chief of Staff, for
The Vice President
- * Ted Olson, Assistant Attorney General,
for the Attorney General

James A. Baker
Michael K. Deaver
Richard G. Darman
Kenneth Duberstein
Craig L. Fuller
David Gergen
Edwin L. Harper
Murray Weidenbaum
Rich Williamson

For Presentation:

Item #3 - Robert Carleson

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